1. Growth of Industrialization—1865 to 1900

- **Why?** Factors in place:
  - Railroad industry
  - Distribution System
  - Symbol of growth
  - Government assists industry—1860 to 1880

  - **laissé faire** economy
  - Laws to promote industry:
    - Morrill Tariff of 1861
    - National Banking Act of 1863
    - Morrill Act of 1862
    - Land grants to railroads
  - Rise of Industrialists or Entrepreneur:
    - Andrew Carnegie
    - John Rockefeller

- **Captains of Industry or Robber Barons**

2. Response to Industrial Growth

- Rise of Labor Unions—Why?
  - 3 main labor unions
  - Strikes and labor disputes
    - Great Railroad Strike—1877
    - Haymarket Riot—1886
    - Homestead Strike—1892
    - Pullman Strike—1894

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**Robber Barons**

**Extortion:** Forced against your will

- **Rebates:** discount or refund on “freight charges”
- **Drawbacks / Kickbacks:** Standard Oil gave certain railroads all its shipping business if it agreed to charge Standard Oil 25% to 50% less than its competitors
- **Buyouts:** Larger corporations forced smaller businesses to sell out
- **Congress** was “bought out” by the monopolies
- **Spies:** Stealing your competitor’s ideas

Small businesses complained “monopolies” eliminated fair competition

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**1st Laws to Regulate Big Business**

- **Granger State Laws**
  - State representatives voted into office by members of the Grange who in turn represented the interests of farmers and passed state laws regulating railroad prices in 18 states.

- **Munn v. Illinois (1876)**
  - Supreme Court decision stating that states had the ability to regulate private property if it affected public interest.

- **Wabash Case (1886)**
  - Declared that it was unconstitutional for states to regulate interstate commerce. Showed need for Federal regulation of interstate commerce.

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**1st Laws to Regulate Big Business**

- **Interstate Commerce Act**
  - Congress created Interstate Commerce Commission (ICC).
  - To regulate means the US Government would make laws to oversee, adjust, fine tune and correct the unfair business tactics in industry and big business. Not take over or control it because that would violate **laissez faire**.
  - In 1890, Congress passed a law which made trusts/monopolies illegal or any business that prevented fair competition.

- **Sherman Antitrust Act (1890)**

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- **Cornelius Vanderbilt—railroad**
- **New types of businesses**
  - **vertical integration**
  - **horizontal integration**
  - created monopolies—“trusts”
- **philanthropists**
- **Government regulates Business 1880 to 1900**
  - **Problem:** monopolies eliminating competition
  - **Interstate Commerce Act**
  - **Sherman Anti-Trust Act**
  - **Response of Industrialists**
    - US govt. should not interfere with competition
    - **Social Darwinism**
  - 14th Amendment

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**Notes:**

- **Inventions and inventors**
  - Thomas Edison——Alexander Graham Bell
- **New stores**
- **Horizontal integration**
  - created monopolies—“trusts”
- **Captains of Industry or Robber Barons**
  - Cornelius Vanderbilt—railroad
  - New types of businesses
  - created monopolies—“trusts”
  - **Philanthropists**
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**Chart: Rise of Immigrants**

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A person who organizes, operates, and assumes the risk for a business venture

“Robber Barons”
- Business leaders built their fortunes by stealing from the public.
- They drained the country of its natural resources.
- They persuaded public officials to interpret laws in their favor.
- They ruthlessly drove their competitors to ruin.
- They paid their workers meager wages and forced them to toil under dangerous and unhealthy conditions.

“Captains of Industry”
- The business leaders served their nation in a positive way.
- They increased the supply of goods by building factories.
- They raised productivity and expanded markets.
- They created jobs that enabled many Americans to buy new goods and raise their standard of living.
- They also created museums, libraries, and universities, many of which still serve the public today.

New Financial Businessman

The Broker: J. Pierpont Morgan

Wall Street – 1867 & 1900

The Reorganization of Work

Frederick W. Taylor
The Principles of Scientific Management (1911)

The Reorganization of Work

The Assembly Line
**New Type of Business Entities**

1. **Pool**
   - 1887 → Interstate Commerce Act
   - Interstate Commerce Commission created.

2. **Trust** → John D. Rockefeller
   - * Standard Oil Co.
New Type of Business Entities

2. **Trust**:
   - Horizontal Integration → John D. Rockefeller
   - Vertical Integration:
     A. Gustavus Swift → Meat-packing
     B. Andrew Carnegie → U. S. Steel

**Andrew Carnegie**

**Captain of Industry**
- Monopolized the steel industry
- Rags to riches story—came from Scotland very poor.
- Used scientific ideas (Bessemer Process) to develop a better way to produce steel and sell a quality product for an inexpensive price.
- Used Horizontal integration.

**Industrial Consolidation: Iron & Steel Firms**

<table>
<thead>
<tr>
<th></th>
<th>1870</th>
<th>1900</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of firms</td>
<td>808</td>
<td>669</td>
</tr>
<tr>
<td>No. of employees</td>
<td>76,000</td>
<td>272,000</td>
</tr>
<tr>
<td>Output (tons)</td>
<td>3,200,000</td>
<td>29,500,000</td>
</tr>
<tr>
<td>Capital invested</td>
<td>$121,000,000</td>
<td>$590,000,000</td>
</tr>
</tbody>
</table>

**Iron & Steel Production**

**John Rockefeller**

**Captain of Industry**
- Came from a wealthy family
- Bought a substitute during the Civil War.
- Formed the first modern corporations in the oil industry (Standard Oil)
- Was the first billionaire in the U.S. by 1900.
- Used Vertical Integration and Horizontal Integration to gain a monopoly in the oil business.
**CONRAELUS VANDERBILT**

- Formed a steamship company in 1829
- Dominated shipping along the Atlantic
- 1849 established steamship that carried people from New York to San Francisco in Gold Rush days
- Leading U.S. steamship owner, nicknamed “The Commodore”
- Gained control of the Hudson River Railroad

**Cornelius (“Commodore”) Vanderbilt**

“Can’t I do what I want with my money?”

- After Civil War Vanderbilt bought most railroad lines from New York to Chicago
- 1877, controlled 4,500 miles of railroads
- Worth over $100 million
- Philanthropist—donated $1 million to Vanderbilt University

**PHILANTHROPY**

The effort of an individual or organization to increase the well-being of humankind, as by charitable aid or donations.

**ANDREW CARNEGIE**

Philanthropist

- Gave millions to colleges and libraries.
- It was the sacred duty of the wealthy to give back to society who has given to him.
- Stressed education as a means to better one’s self.
- Carnegie Hall

**Gospel of Wealth**

Andrew Carnegie (1835–1919) wrote in 1889, “The man who dies leaving behind him millions of available wealth, which was his to administer during life, will pass away ‘unwept, unhonored, and unsung,’ no matter to what uses he leaves the dross which he cannot take with him. Of such as these the public verdict will then be: ‘The man who dies thus rich dies disgraced.’”
"On Wealth"

- The Anglo-Saxon race is superior.
- "Gospel of Wealth" (1889).
- Inequality is inevitable and good.
- Wealthy should act as "trustees" for their "poorer brethren."

Andrew Carnegie

The Gospel of Wealth: Religion in the Era of Industrialization

- Wealth no longer looked upon as bad.
- Viewed as a sign of God's approval.
- Christian duty to accumulate wealth.
- Should not help the poor.

Russell H. Conwell

John Rockefeller

Philanthropist

- Gave millions of his money to hospitals and colleges.
- University of Chicago
- Spellman College
- National Parks
- United Nations
- Williamsburg
- Cancer Research

John Rockefeller

Conrelius Vanderbilt

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John Rockefeller

- Controlled the railroad by forcing them to pay him rebates because of the volume of business he gave them.
- Was called "Rock a Fellow" by many
- Ruthless businessman: "Pay no man a profit"
Rockefeller was so wealthy, he dictated to the U.S. Government to protect big business---- *laissez faire*

Rockefeller would be hated by many because he had too much control over the oil industry and the government as viewed by the common man----

- Some believed he was corrupt because he took away the right to compete----
- free enterprise

Big business, monopolies controlled Congress through bribery. This is corruption

What about Today?

“History repeats itself----- The Robber Barons of the Middle Ages and the Robber Barons of Today.....”

**Social Darwinism**

- British economist, Herbert Spencer.
- Advocate of *laissez-faire*.
- Adapted Darwin’s ideas from the “Origin of Species” to humans.
- Belief that there was a natural upper class and lower class.
- “Survival of the fittest”
Social Darwinism

Belief that in the economic world the strongest companies will survive

“The growth of a large business is merely a survival of the fittest.”

J. Rockefeller

Social Darwinism

- Social Darwinists believed that companies struggled for survival in the economic world and the government should not tamper with this natural process.
- The fittest business leaders would survive and would improve society.
- Belief that hard work and wealth showed God’s approval and those that were poor were lazy and naturally a lower class.

1. Every human activity is survival of the fittest.
2. All living things have always competed for survival.
3. Some plants and animals developed traits that helped them survive.
4. Hard worked paid off, and lazy were inferior.

New Business Culture:

“The American Dream?”

3. Protestant (Puritan) “Work Ethic”
   - Horatio Alger [100+ novels]

Is the idea of the “self-made man” a MYTH??

14th Amendment

Rights of Citizens

“All persons born in the U.S. are citizens of this country and the state they reside in. No state shall make or enforce any law which deprives any person of life, liberty, or property, without due process of law, nor deny to any person with its jurisdiction to the equal protection of the laws.”

Industrialists would use the 14th Amendment as a way to defend a corporation from the Sherman Anti-Trust Act.
**INDUSTRIALIZATION**
- Poor working conditions
- Unfriendliness/impersonalization
- Immigrants taking jobs
- Decrease work day
- Machines replacing workers
- Child labor
- Job security

**WORKING FAMILIES**
- In the 1880s, children made up more than 5 percent of the industrial labor force.
- Children often left school at the age of 12 or 13 to work.
- Girls sometimes took factory jobs so that their brothers could stay in school.
- If an adult became too ill to work, children as young as 6 or 7 had to work.
- Rarely did the government provide public assistance, and unemployment insurance didn’t exist.
- The theory of Social Darwinism held that poverty resulted from personal weakness.
- Many thought that offering relief to the unemployed would encourage idleness.

**THE WORK ENVIRONMENT**

**Division of Labor**
- Some owners viewed workers as parts of the machinery.
- Unlike smaller and older businesses, most owners never interacted with workers.
  - impersonalization

**Work Environment**
- Factory workers worked by the clock.
- Workers could be fired for being late, talking, or refusing to do a task.
- Workplaces were not safe.
- Children performed unsafe work and worked in dangerously unhealthy conditions.
- In the 1890s and early 1900s states began legislating child labor.

**TWO DIFFERENT WORLDS**

The wealthy would manifest itself in an elite class of Americans who lived extravagant lifestyles. Many common people resented their snobbish attitudes and wealth. In some respects, there was a caste system in the U.S.

1861--------3 millionaires--------1900--------3,800

By 1900, 90% of the wealth in the U.S. was controlled by 10% of population.

**THE OLD FAMILIAR RELATIONS**
“The old familiar relations between employer and employee were passing. A few generations before, the boss had known every man in his shop. He called his men by their first names, asked about the family and swapped jokes and stories with them. Today, you have large factories, the personal touch is gone!”

Theodore Roosevelt

**IMPERSONALIZATION**

** Poor working conditions**
** Unfriendliness/impersonalization**
** Immigrants taking jobs**
** Decrease work day**
** Machines replacing workers**
** Child labor**
** Job security**

**Industrial millionaires were condemned in the Populist platform of 1892**

The fruits of the toil of millions are boldly stolen to build up colossal fortunes for a few...and the possessors of these, in turn despise the Republic and endanger liberty. From the same prolific womb of government injustice we breed the two great classes---tramps and millionaires.

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# Labor Unions

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<thead>
<tr>
<th><strong>Labor Union</strong></th>
<th>Workers who organize against their employers to seek better wages and working conditions for wage earners.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Labor Strike</strong></td>
<td>The unions’ method for having their demands met. Workers stop working until the conditions are met. It is a very effective form of attack.</td>
</tr>
<tr>
<td><strong>Boycott</strong></td>
<td>People refuse to buy a company’s product until the company meets demands.</td>
</tr>
<tr>
<td><strong>Scab Worker</strong></td>
<td>New immigrants who would replace strikers and work for less pay. Often violence would erupt between strikers and scabs who were trying to cross picket lines to work.</td>
</tr>
<tr>
<td><strong>Closed Shop</strong></td>
<td>A working establishment where only people belonging to the union are hired. It was done by the unions to protect their workers from cheap labor.</td>
</tr>
<tr>
<td><strong>Black List or Black Balled</strong></td>
<td>List of people disliked by business owners because they were leaders in the Union. Often would lose their jobs, beaten up or even killed.</td>
</tr>
<tr>
<td><strong>Collective Bargaining</strong></td>
<td>Type of negotiation between an employer and labor union where they sit down face to face and discuss better wages, etc.</td>
</tr>
<tr>
<td><strong>Yellow Dog Contracts</strong></td>
<td>A written contract between employers and employees in which the employees sign an agreement that they will not join a union while working for the company.</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>Lock Out</strong></th>
<th>Owner of industry would “lock out” workers who were trying to form a union and replace them with “scabs”.</th>
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<td><strong>Cooperatives</strong></td>
<td>Industry or business organization owned by and operated for the benefit of those using its services—non-profit</td>
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## National Labor Union
- William Sylvis, 1866
- Skilled, unskilled, farmers but excluded Chinese...
- Cooperatives, 8 hr. work day, against labor strikes
- Founded a political party in 1872
- Involved in the Chinese Exclusion Act.
- Lost election, faded away
- Replaced by Knights of Labor.

## Knights of Labor
- Terrence Powderly
- All workers except Chinese
- 8 hr. day, cooperatives, prohibition, end child labor
- Several strikes won some wage gains 1885 to 1886
- Unrealistic and vague goals
- Loss of important strikes and failure of cooperatives
- Haymarket Riot—1886

## American Federation of Labor or AFL
- Samuel Gompers, 1881
- Skilled workers in separate unions.
- Work within political system for change.
- Closed shop and collective bargaining
- Over 1 million workers joined and won several strikes
- Small part of work force eligible to join.

### Reaction of Employers

**Employers hated & feared unions. Why?**
- European influences of socialism
- Labor strikes always tended to be violent.

**Some took steps to stop unions, such as:**
- forbidding union meetings
- firing union organizers
- Owner of industry would “lock out” workers who were trying to form a union and replace them with “scabs”.

**Scab workers:** Employers would hire immigrants to replace strikers and work for less pay. Often violence would erupt between strikers and scabs who were trying to cross picket lines to work.
- refusing to recognize unions as their workers’ legitimate representatives

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The Reverend Henry Ward Beecher (1813–1887) of Brooklyn, the most distinguished (and notorious) clergyman of the era after the Civil War, said,

“The trade union, which originated under the European system, destroys liberty. I do not say a dollar a day is enough to support a working man, but it is enough to support a man. Not enough to support a man and five children if a man insists on smoking and drinking beer.”
EUGENE DEBS

- Founder of the Socialist Party in the U.S.
- Overthrow the existing laissez faire and capitalistic system
- Believes in government ownership of business and capital (money, natural resources)
- Government controls production, sets wages, prices and distributes the goods. No profit or competition.
- Runs for the presidency several times.

Railroad Workers Organize

- The Great Railroad Strike of 1877
  - Railway workers protested unfair wage cuts and unsafe working conditions.
  - The strike was violent and unorganized.
  - President Hayes sent federal troops to put down the strikes.
  - From then on, employers relied on federal and state troops to repress labor unrest.

Railroad Workers Organize

- Debs and the American Railway Union
  - At the time of the 1877 strike, railroad workers mainly organized into various “brotherhoods,” which were basically craft unions.
  - Eugene V. Debs proposed a new industrial union for all railway workers called the American Railway Union (A.R.U.).
  - The A.R.U. would replace all of the brotherhoods and unite all railroad workers, skilled and unskilled.
May 3, 1886, joining a nationwide strike for an 8-hour workday, Chicago workers protested against the McCormick Reaper plant. A riot broke out and Chicago police officers killed several protesters. To protest the killing, protesters planned a rally for May 4.

- 3,000 gather at Chicago’s Haymarket Square
- During the protest, a bomb exploded
- 7 police officers were killed and civilians killed and injured
- Chicago police hunt down murderers
- 8 anarchists were convicted of conspiracy to murder

This caused the public to look down on labor unions especially the **Knights of Labor**. Gov. Altgeld of Illinois later issued pardons for the remaining accused anarchists.

The five men are clockwise from 1:00 o’clock:

- A. R. Parsons
- Adolph Fischer
- George Engel
- August Spies
- Louis Lingg (middle)

The first four were hanged on Friday, November 11, 1887. Lingg committed suicide on November 10, 1887 by lighting a stick of dynamite in his mouth.

**HOMESTEAD STRIKE**

- 1892, Carnegie Steel workers strike over pay cuts
- Management locks out workers and hires scab workers.
- Violence erupted between strikers and scab workers.
- Pinkerton Security called in to settle violence

Strikers ambush them and forced Pinkerton’s to walk the gauntlet between striking families.
- Some killed and many injured
- National Guard was called in by the governor of Pennsylvania to stop violence and reopen plant

Carnegie successfully broke up the attempt to organize a union.

- **No labor unions in steel industry until the 1920’s.**
- Carnegie would be remembered for events at Homestead.
- **His public image suffered**
Strikes Rock the Nation

- **Pullman, 1894**
  - Eugene Debs instructed strikers not to interfere with the nation’s mail.
  - Railway owners turned to the government for help. The judge cited the Sherman Antitrust Act and won a court order forbidding all union activity that halted railroad traffic.
  - Court orders against unions continued, limiting union gains for the next 30 years.

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Regulating the Trusts

1877 → *Munn v. IL*

1886 → *Wabash, St. Louis & Pacific Railroad Company v. IL*

1890 → *Sherman Antitrust Act*
  - in "restraint of trade"
  - "rule of reason" loophole

1895 → *US v. E. C. Knight Co.*